



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
KNOTT COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
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CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Donnie Newsome, County Judge/Executive

Honorable Homer Sawyer, Former County Judge/Executive

Members of the Knott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Knott County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Knott County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Knott County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Knott County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Donnie Newsome, County Judge/Executive

Honorable Homer Sawyer, Former County Judge/Executive

Members of the Knott County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Knott County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying Comments and Recommendations, included herein, which discusses the following areas of noncompliance:

- The County Should Maintain Adequate Bid Files
- The County Should Maintain Invoices And Obtain Fiscal Court Review Prior To Paying Claims
- The County Should Maintain Adequate Payroll Records
- The Fiscal Court Should Direct The County Clerk To Maintain An Adequate Fiscal Court Order Book And Bond Book
- The County Should Limit LGEA Fund Expenditures To Allowable Items Listed In The Guide For County Budget Preparation Issued By The Department For Local Government
- The County Should Adopt An Administrative Code
- The Jailer Should Comply With KRS 441.135

In accordance with Government Auditing Standards, we have also issued our report dated August 17, 1999 on our consideration of Knott County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
August 17, 1999

KNOTT COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Homer Sawyer	Former County Judge/Executive
Bobby D. Williams	County Attorney
Mike Hall	County Clerk
Carlos Huff	Circuit Court Clerk
Wheeler Jacobs	Sheriff
Garfield Slone	Jailer
Carl Slone	Property Valuation Administrator
Byron Jacobs	County Treasurer
Kenneth Gayheart	Coroner
Devoist Bentley	Magistrate
Ray Bolen	Magistrate
Earl D. Thorsberry	Magistrate
Haskel Ritchie	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

KNOTT COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets

General Fund:	
Cash	\$ 407,256
Road and Bridge Fund:	
Cash	184,064
Jail Fund:	
Cash	1,842
Jail Commissary Fund:	
Cash	5,340
Local Government Economic Assistance Fund:	
Cash	479,706
911 Fund:	
Cash	74,058
Disaster and Emergency Services:	
Cash	10,240
Forestry Fund:	
Cash	1,999
Revolving Loan Fund:	
Investment	144,351
Public Properties Corporation Fund:	
Cash	166,218
Voted Bond Fund:	
Paying Agent	800
	<hr/>
Total Assets	<u><u>\$ 1,475,874</u></u>

The accompanying notes are an integral part of the financial statements.

KNOTT COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1998
 (Continued)

Liabilities and Fund Balances

Liabilities

Voted Bond Fund:

Bonds Matured and Unpresented	\$	800
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Public Properties Corporation Fund:

Bonds Not Matured (Note 4)		155,000
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Fund Balances

Reserved:

Jail Commissary Fund		5,340
911 Fund		74,058
Disaster and Emergency Services		10,240
Forestry Fund		1,999
Revolving Loan Fund		144,351
Public Properties Corporation Bond Fund		11,218

Unreserved:

General Fund		407,256
Road and Bridge Fund		184,064
Jail Fund		1,842
Local Government Economic Assistance Fund		<u>479,706</u>

Total Liabilities and Fund Balances	\$	<u><u>1,475,874</u></u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

KNOTT COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,449,879	\$ 1,408,466	\$ 962,921	\$ 104,079
Transfers In	383,819			270,000
Total Cash Receipts	<u>\$ 4,833,698</u>	<u>\$ 1,408,466</u>	<u>\$ 962,921</u>	<u>\$ 374,079</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,707,995	\$ 1,583,795	\$ 971,833	\$ 385,327
Transfers Out	383,819	60,000	75,108	
Bonds:				
Principal Paid	140,000			
Jail Commissary Fund Expenditures	1,421			
Total Cash Disbursements	<u>\$ 5,233,235</u>	<u>\$ 1,643,795</u>	<u>\$ 1,046,941</u>	<u>\$ 385,327</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>\$ (399,537)</u>	<u>\$ (235,329)</u>	<u>\$ (84,020)</u>	<u>\$ (11,248)</u>
Cash Balance - July 1, 1997*	<u>1,874,611</u>	<u>642,585</u>	<u>268,084</u>	<u>13,090</u>
Cash Balance - June 30, 1998*	<u>\$ 1,475,074</u>	<u>\$ 407,256</u>	<u>\$ 184,064</u>	<u>\$ 1,842</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

KNOTT COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	911 Fund	Community Development Block Grant Fund	Disaster And Emergency Services Fund	Forestry Fund
\$ 3,330	\$ 1,751,649	\$ 127,541	\$	\$ 70,247	\$ 3,985
\$ 3,330	\$ 1,751,649	\$ 127,541	\$ 0	\$ 70,247	\$ 3,985
\$	\$ 1,572,847 248,711	\$ 101,057	\$ 83	\$ 60,007	\$ 3,858
1,421					
\$ 1,421	\$ 1,821,558	\$ 101,057	\$ 83	\$ 60,007	\$ 3,858
\$ 1,909 3,431	\$ (69,909) 549,615	\$ 26,484 47,574	\$ (83) 83	\$ 10,240	\$ 127 1,872
\$ 5,340	\$ 479,706	\$ 74,058	\$ 0	\$ 10,240	\$ 1,999

The accompanying notes are an integral part of the financial statements.

KNOTT COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Revolving Loan Fund	Public Properties Corporation Bond Fund
<u>Cash Receipts</u>		
Schedule of Operating Revenue	\$ 7,956	\$ 9,705
Transfers In		113,819
Total Cash Receipts	<u>\$ 7,956</u>	<u>\$ 123,524</u>
<u>Cash Disbursements</u>		
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$ 29,188
Transfers Out		
Bonds:		
Principal Paid		140,000
Jail Commissary Fund Expenditures		
Total Cash Disbursements	<u>\$ 0</u>	<u>\$ 169,188</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 7,956	\$ (45,664)
Cash Balance - July 1, 1997*	<u>136,395</u>	<u>211,882</u>
Cash Balance - June 30, 1998*	<u><u>\$ 144,351</u></u>	<u><u>\$ 166,218</u></u>

* Cash Balance Includes Investments

* Cash Balance Includes Investments

KNOTT COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Knott County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jail Commissary Fund, and the Public Properties Corporation Bond Fund as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Knott County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KNOTT COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Knott County Fiscal Court: Ambulance Service.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.21 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

KNOTT COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998
 (Continued)

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county met the requirements stated above, and as of June 30, 1998, deposits were fully insured or collateralized at a 100% level with collateral held by the county's agent in the county's name.

Note 4. Long-Term Debt

The Public Properties Corporation issued \$1,165,000 of Public Project Revenue Bonds-Series 1988 dated August 1, 1988. These bonds mature February 1, 1999. The Bond issue is for county road improvements.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
August 1, 1998	\$ 7,169	\$
February 1, 1999	7,169	155,000
Totals	<u>\$ 14,338</u>	<u>\$ 155,000</u>

Note 5. Insurance

For the fiscal year ended June 30, 1998, Knott County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 6. Economic Dependency

The County received \$2,997,998 from the State of Kentucky and the Federal Government. This amount represents 67% of the County's aggregate receipts.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

KNOTT COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 1,297,185	\$ 1,408,466	\$ 111,281
Road and Bridge Fund	752,384	962,921	210,537
Jail Fund	417,124	104,079	(313,045)
Local Government Economic Assistance Fund	1,089,615	1,751,649	662,034
911 Fund	128,574	127,541	(1,033)
Community Development Block Grant Fund	278,700		(278,700)
Disaster And Emergency Fund	129,150	70,247	(58,903)
Forestry Fund	4,200	3,985	(215)
Revolving Loan Fund	8,000	7,956	(44)
Public Properties Corporation Bond Fund	153,000	9,705	(143,295)
Total	<u>\$ 4,257,932</u>	<u>\$ 4,446,549</u>	<u>\$ 188,617</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,257,932
Add: Budgeted Prior Year Surplus			1,413,095
Less: Other Financing Uses			<u>(140,000)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 5,531,027</u>

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SCHEDULE OF OPERATING REVENUE

KNOTT COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes and Excess Fees</u>				
Sheriff:				
Real Property Taxes	\$ 352,071	\$ 348,573	\$	\$
Personal Property Taxes	64,678	64,678		
Unmined Coal Taxes	147,490	147,490		
Advertising Costs	1,286	1,286		
Excess Fees	144,995	144,995		
County Clerk:				
Motor Vehicle Taxes	75,155	75,155		
Deed Transfer Tax	9,541	9,541		
Delinquent Taxes	13,547	13,547		
Excess Fees	17,000	17,000		
Legal Process Fees	81	81		
In Lieu of Taxes:				
U.S. Treasurer	2,803	2,803		
Other in Lieu Payments	1,032	1,032		
Totals	\$ 829,679	\$ 826,181	\$ 0	\$ 0
<u>Federal Receipts - State Treasurer</u>				
Federal Disaster and Emergency				
Services/Emergency Management	\$ 69,068	\$ 0	\$ 0	\$ 0
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 49,361	\$	\$	\$ 49,361
Medical Allotments	4,072			4,072
Driving Under The Influence Fees	4,569			4,569
Housing State Prisoners	32,017			32,017
Court Costs, Jail Operation	10,017			10,017

KNOTT COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	911 Fund	Community Development Block Grant Fund	Disaster And Emergency Services Fund	Forestry Fund
\$	\$	\$	\$	\$	\$ 3,498
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,498
\$ 0	\$ 0	\$ 0	\$ 0	\$ 69,068	\$ 0
\$	\$	\$	\$	\$	\$

KNOTT COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Revolving Loan Fund	Public Properties Corporation Bond Fund
Revenue From Local Taxes <u>and Excess Fees</u>		
Sheriff:		
Real Property Taxes	\$	\$
Personal Property Taxes		
Unmined Coal Taxes		
Advertising Costs		
Excess Fees		
County Clerk:		
Motor Vehicle Taxes		
Deed Transfer Tax		
Delinquent Taxes		
Excess Fees		
Legal Process Fees		
In Lieu of Taxes:		
U.S. Treasurer		
Other in Lieu Payments		
Totals	\$ 0	\$ 0
<u>Federal Receipts - State Treasurer</u>		
Federal Disaster and Emergency Services/Emergency Management	\$ 0	\$ 0
<u>Kentucky State Treasurer</u>		
Jail:		
Allotments	\$	\$
Medical Allotments		
Driving Under The Influence Fees		
Housing State Prisoners		
Court Costs, Jail Operation		

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KNOTT COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer (Continued)</u>				
Ad Valorem Tax	\$ 11,785	\$ 11,785	\$	\$
County Road Aid	656,667		656,667	
Energy Recovery Road Aid	13,269		13,269	
Drivers License Refund	1,450		1,450	
Omitted Personal Property Tax	7,992	7,992		
Truck License Distribution	151,651		151,651	
Forest Fire Suppression	487			
Strip Mine Permits	76,129	76,129		
Courthouse Rental - Administrative				
Office of the Courts	59,215	59,215		
Refunds:				
State Reimbursement/Refund	132,434		132,434	
Severance Taxes:				
Coal	1,101,996			
Mineral	558,396			
Board of Assessments	1,000	1,000		
Grants:				
Senior Citizens Grant	41,322			
Disaster and Emergency Services				
Reimbursement	10,371			
Concession Sales	3,330			
Miscellaneous	1,400			1,400
Totals	\$ 2,928,930	\$ 156,121	\$ 955,471	\$ 101,436

Miscellaneous Revenue

Interest	\$ 64,349	\$ 19,953	\$ 6,168	\$ 474
Charges for Services:				
Garbage Collection	55,378	55,378		
Ambulance Service	340,165	340,165		
911 Fees	125,767			
Other Revenue	5,061	810	1,282	2,169
Insurance Proceeds	15,185	6,539		

KNOTT COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

<u>Jail Commissary Fund</u>	<u>Local Government Economic Assistance Fund</u>	<u>911 Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Disaster And Emergency Services Fund</u>	<u>Forestry Fund</u>
\$	\$	\$	\$	\$	\$
					487
	1,101,996				
	558,396				
	41,322				
	10,371				
3,330					
<u>\$ 3,330</u>	<u>\$ 1,712,085</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 487</u>
\$	\$ 17,140	\$ 1,774	\$	\$ 1,179	\$
		125,767			
	800				
	8,646				

KNOTT COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Revolving Loan Fund	Public Properties Corporation Bond Fund
<u>Kentucky State Treasurer (Continued)</u>		
Ad Valorem Tax	\$	\$
County Road Aid		
Energy Recovery Road Aid		
Drivers License Refund		
Omitted Personal Property Tax		
Truck License Distribution		
Forest Fire Suppression		
Strip Mine Permits		
Courthouse Rental - Administrative		
Office of the Courts		
Refunds:		
State Reimbursement/Refund		
Severance Taxes:		
Coal		
Mineral		
Board of Assessments		
Grants:		
Senior Citizens Grant		
Disaster and Emergency Services		
Reimbursement		
Concession Sales		
Miscellaneous		
Totals	\$ 0	\$ 0

Miscellaneous Revenue

Interest	\$ 7,956	\$ 9,705
Charges for Services:		
Garbage Collection		
Ambulance Service		
911 Fees		
Other Revenue		
Insurance Proceeds		

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KNOTT COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue (Continued)</u>				
Insurance Reimbursement	\$ 16,297	\$ 3,319	\$	\$
Totals	\$ 622,202	\$ 426,164	\$ 7,450	\$ 2,643
Total Operating Revenue	<u>\$ 4,449,879</u>	<u>\$ 1,408,466</u>	<u>\$ 962,921</u>	<u>\$ 104,079</u>

KNOTT COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	911 Fund	Community Development Block Grant Fund	Disaster And Emergency Services Fund	Forestry Fund
\$	\$ 12,978	\$	\$	\$	\$
\$ 0	\$ 39,564	\$ 127,541	\$ 0	\$ 1,179	\$ 0
\$ 3,330	\$ 1,751,649	\$ 127,541	\$ 0	\$ 70,247	\$ 3,985

KNOTT COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

	Revolving Loan Fund	Public Properties Corporation Bond Fund
<u>Miscellaneous Revenue (Continued)</u>		
Insurance Reimbursement	\$	\$
Totals	\$ 7,956	\$ 9,705
Total Operating Revenue	\$ 7,956	\$ 9,705

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

KNOTT COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 49,000	\$ 48,660	\$ 340
Deputy County Judge/Executive	32,950	32,949	1
Secretaries	24,122	24,121	1
Office Materials and Supplies	10,400	10,338	62
New Office Equipment	8,420	8,417	3
Advertisements	10,100	10,084	16
Travel	2,050	2,047	3
Refunds	10,500	10,448	52
Architect Services	5,500	5,500	
Office of County Attorney:			
Salaries-			
County Attorney	36,200	35,651	549
Secretaries	33,200	33,120	80
Office Materials and Supplies	4,200	4,131	69
Office of County Clerk:			
Office Materials and Supplies	17,400	17,302	98
Printing and Binding	540	76	464
Tax Bill Preparation	4,000	3,621	379
Office of Sheriff:			
Salaries- Deputies	156,626	155,823	803
Sheriff Reimbursements	5,400	5,369	31
Accounting Services	5,600	5,525	75
Fiscal Court:			
Magistrates-			
Salaries	60,001	60,001	
Expense Allowance	14,400	14,400	

KNOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Office of Property Valuation Administrator:			
Statutory Contribution	\$ 17,056	\$ 16,894	\$ 162
Office of County Treasurer:			
County Treasurer Salary	17,300	17,297	3
Rent	3,600	3,600	
Office Materials and Supplies	1,000	650	350
County Law Library:			
Law Librarian Salary	600		600
Elections:			
Per Diem-			
Election Commissioners	2,960	2,960	
Election Officers	11,700	11,670	30
Rent and Utilities	7,200	6,574	626
New Voting Machines	126,000	126,000	
Storage	1,000	1,000	
Courthouse:			
Janitor Salary	17,100	17,095	5
Maintenance Agreements	2,000	1,954	46
Office Rentals	7,200	7,200	
Building Supplies	21,900	21,876	24
Cleaning Supplies	9,000	8,930	70
Miscellaneous Supplies	800	438	362
Postage	900	829	71
Telephone	21,350	21,305	45
Utilities	19,000	18,915	85

KNOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Protection to Persons and Property</u>			
Ambulance Service:			
Salaries	\$ 150,000	\$ 147,735	\$ 2,265
New Ambulance	46,159	46,159	
Accounting and Billing	9,800	9,797	3
Cleaning Supplies	800	707	93
Office Supplies	4,500	4,458	42
Medical Supplies	5,800	5,737	63
Utilities	2,000	1,781	219
Telephone	8,400	8,302	98
Repairs and Maintenance	9,100	9,079	21
<u>Recreation and Culture</u>			
Parks:			
Maintenance	27,700	27,667	33
Other Recreation Programs:			
Land Purchase	90,000	90,000	
<u>Roads</u>			
Road Maintenance:			
Blacktop	129,330	129,300	30
<u>Debt Service</u>			
County Liabilities			
Debt Service	3,172	3,172	
<u>Administration</u>			
General Services:			
Audit Services	20,170	20,168	2
Insurance	65,276	65,276	

KNOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Administration (Continued)</u>			
General Services (Continued)			
Bonds	\$ 2,200	\$ 2,183	\$ 17
Coal Coalition Dues	2,500	2,500	
Memberships-			
KRADD	13,100	13,023	77
KACO	900	900	
NACO	200		200
Contingent Appropriations:			
Reserve for Transfers	3		3
Fringe Benefits:			
County Contributions-			
Social Security	45,100	44,912	188
Retirement	39,400	37,595	1,805
Life Insurance	4,900	4,840	60
Health Insurance	52,300	50,744	1,556
Dental Insurance	10,000	8,977	1,023
Worker's Compensation	64,100	64,013	87
Unemployment Insurance	12,000	12,000	
Total General Fund	<u>\$ 1,597,185</u>	<u>\$ 1,583,795</u>	<u>\$ 13,390</u>

ROAD AND BRIDGE FUND

Road Maintenance:			
Salaries-			
Road Supervisor	\$ 8,500	\$ 8,424	\$ 76
Road Laborers	185,000	174,905	10,095
Blacktop	231,900	229,862	2,038
Cleaning Supplies	600	519	81
Motor Vehicle Parts	19,300	19,296	4
Road Materials	333,000	331,885	1,115
Petroleum Products	14,300	14,274	26

KNOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
Road Maintenance: (Continued)			
Material and Supplies	\$ 1,000	\$ 913	\$ 87
Right-of-Way	18,000	10,000	8,000
<u>Bridges:</u>			
Materials and Supplies	14,300	14,292	8
<u>Administration</u>			
General Services:			
Audit Services	13,900	13,848	52
Vehicle and Equipment Insurance	66,300	66,276	24
Postage	100		100
Telephone	1,500	1,316	184
Utilities	3,000	2,934	66
Contingent Appropriations:			
Reserve for Transfers	384		384
Fringe Benefits:			
County Contributions-			
Retirement	18,000	15,858	2,142
Social Security	16,000	13,323	2,677
Life Insurance	1,500	1,404	96
Health Insurance	26,000	25,609	391
Dental Insurance	6,000	3,205	2,795
Worker's Compensation	17,100	17,028	72
Unemployment Insurance	6,700	6,662	38
Total Road and Bridge Fund	<u>\$ 1,002,384</u>	<u>\$ 971,833</u>	<u>\$ 30,551</u>

KNOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 48,661	\$ 48,660	\$ 1
Jail Personnel	168,000	163,520	4,480
Operations-			
Maintenance Agreements	500	200	300
Building Repairs	8,000	7,640	360
Cleaning Supplies	8,000	7,880	120
Food	34,300	34,250	50
Office Supplies	3,000	2,580	420
Material and Supplies	1,000	850	150
Routine Medical	25,000	22,004	2,996
Telephone	2,600	2,497	103
Utilities	20,000	18,051	1,949
Juvenile Detention Center	24,000	13,267	10,733
<u>Administration</u>			
General Services:			
Association Dues	200	150	50
Staff Training	700	594	106
Contingent Appropriations:			
Reserve for Budget Transfers	6,313		6,313
Fringe Benefits:			
County Contributions-			
Retirement	19,400	18,665	735
Social Security	16,000	15,420	580
Life Insurance	3,000	2,040	960
Health Insurance	30,700	24,462	6,238
Dental Insurance	2,750	2,597	153
Total Jail Fund	\$ 422,124	\$ 385,327	\$ 36,797

KNOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
<u>General Government</u>			
Office of Sheriff:			
Deputies Salaries	\$ 26,500	\$ 26,500	\$
Office Supplies	3,810	3,809	1
Postage for Tax Bills	2,690	2,321	369
Office of Coroner:			
Salaries-			
Coroner	13,401	13,400	1
Deputy Coroner	1,801	1,800	1
Office Supplies	1,500	1,425	75
Economic Development:			
Director Salary	26,981	26,981	
<u>Protection to Persons and Property</u>			
Office Of Jailer:			
Jailer Bond	2,401	2,400	1
Constables:			
Constables' Salaries	19,500	19,200	300
County Fire Department:			
Contribution	23,500	23,500	
Knott County Rescue Squad:			
Contribution	2,500	2,500	
Disaster and Emergency Services:			
Director Salary	20,452	20,452	
Materials and Supplies	1,000	998	2
Ambulance Service:			
Medical Personnel Salaries	185,900	185,814	86
Accounting Services	9,800	9,712	88

KNOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)			
<u>General Government (Continued)</u>			
Ambulance Service (Continued)			
Vehicle Maintenance and Repair	\$ 14,700	\$ 14,661	\$ 39
Cleaning Supplies	2,900	2,820	80
Office Supplies	8,000	7,922	78
Medical Services	12,000	11,977	23
Commonwealth Attorney:			
Travel	1,200	1,200	
Office of Public Defender:			
Public Defender	2,239	2,238	1
<u>General Health and Sanitation</u>			
Dog Control:			
Animal Shelter Building	15,000	15,000	
Ecology:			
Officer Salary	22,455	22,454	1
Supplies	800	780	20
<u>Social Services</u>			
Senior Citizens Program:			
General Welfare	52,500	52,229	271
General Charity and Welfare:			
Pauper Burials	4,300	4,100	200
General Welfare	17,580	17,572	8
<u>Recreation and Culture</u>			
Parks:			
Public Park Maintenance	21,400	21,357	43

KNOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)</u>			
<u>Recreation and Culture (Continued)</u>			
Human Services Center:			
Salaries	\$ 43,600	\$ 41,528	\$ 2,072
Maintenance Agreements	2,080	2,049	31
Cleaning Supplies	5,200	5,145	55
Office Supplies	2,000	1,970	30
Recreational Supplies	13,600	13,529	71
Material and Supplies	900	857	43
Telephone	1,900	1,863	37
Utilities	16,900	16,808	92
Public Libraries:			
Librarian Salary	12,271	12,271	
Contribution	21,000	21,000	
Tourism:			
Committee	2,370	2,102	268
Festivals and Celebrations	2,000	2,000	
Road Maintenance:			
Road Laborers Salaries	142,800	142,751	49
Blacktop	221,150	221,123	27
Motor Vehicle Parts	39,000	38,927	73
Material and Supplies	214,660	214,651	9
Petroleum Products	37,800	37,755	45
<u>Capital Projects</u>			
Bridges:			
Materials	40,000	39,821	179
<u>Administration</u>			
General Services:			
Insurance	22,364	22,364	

KNOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)			
<u>Administration (Continued)</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	\$ 20	\$	\$ 20
Fringe Benefits:			
County Contributions-			
Retirement	71,000	70,870	130
Social Security	51,460	49,881	1,579
Life Insurance	6,030	6,026	4
Health Insurance	92,500	82,347	10,153
Dental Insurance	10,200	10,087	113
Total Local Government Economic Assistance Fund	<u>\$ 1,589,615</u>	<u>\$ 1,572,847</u>	<u>\$ 16,768</u>

911 FUND

Protection to Persons and Property

Office of the 911 Coordinator:			
Coordinator Salary	\$ 17,820	\$ 17,818	\$ 2
Consultants	17,200	16,156	1,044
Office Supplies	10,000	7,074	2,926
Other Supplies	1,000	35	965
Telephone	1,000	876	124
Regional Program Support	45,000	43,217	1,783
Maintenance Agreement	800	800	
Communication Agreement	8,400	8,312	88

Administration

Contingent Appropriations:		
Reserve for Transfer	58,404	58,404

KNOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>911 FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Fringe Benefits:			
County Contributions-			
Retirement	\$ 1,600	\$ 1,541	\$ 59
Social Security	1,400	1,295	105
Life Insurance	50	29	21
Health Insurance	5,900	3,904	1,996
Total 911 Fund	<u>\$ 168,574</u>	<u>\$ 101,057</u>	<u>\$ 67,517</u>
COMMUNITY DEVELOPMENT <u>BLOCK GRANT FUND</u>			
<u>Capital Projects</u>			
Buildings:			
Personal Care Home Expenditure	\$ 5,000	\$ 83	\$ 4,917
<u>Administration</u>			
Contingency Reserve	<u>273,700</u>		<u>273,700</u>
Total Community Development Block Grant Fund	<u>\$ 278,700</u>	<u>\$ 83</u>	<u>\$ 278,617</u>
DISASTER AND EMERGENCY <u>SERVICES FUND</u>			
<u>Roads</u>			
Road Maintenance:			
Contracted Construction-Highways	\$ 80,000	\$ 60,007	\$ 19,993

KNOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
DISASTER AND EMERGENCY <u>SERVICES FUND</u> (Continued)			
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Transfer	\$ 49,150	\$	\$ 49,150
Total Disaster And Emergency Services Fund	\$ 129,150	\$ 60,007	\$ 69,143
<u>FORESTRY FUND</u>			
<u>Protection to Persons and Property</u>			
Forest Fire Protection:			
Forest Resource Services	\$ 5,900	\$ 3,858	\$ 2,042
<u>REVOLVING LOAN FUND</u>			
<u>General Government</u>			
Economic Development:			
Revolving Loans	\$ 144,395	\$ 0	\$ 144,395
PUBLIC PROPERTIES CORPORATION <u>BOND FUND</u>			
<u>Debt Service</u>			
County Liabilities:			
Fiscal Court Fees	\$ 3,000	\$ 1,900	\$ 1,100
Interest on Bonds	27,288	27,288	

KNOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
PUBLIC PROPERTIES CORPORATION			
<u>BOND FUND (Continued)</u>			
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Transfer	\$ 162,712	\$	\$ 162,712
Total Public Properties Corporation Bond Fund Operating Budget	\$ 193,000	\$ 29,188	\$ 163,812
Other Financing Uses:			
Principal on Bonds	140,000	140,000	
Total Public Properties Corporation Bond Fund	\$ 333,000	\$ 169,188	\$ 163,812
Total Operating Budget - All Funds	\$ 5,531,027	\$ 4,707,995	\$ 823,032
Other Financing Uses:			
Public Properties Corporation- Principal on Bonds	140,000	140,000	
TOTAL BUDGET - ALL FUNDS	\$ 5,671,027	\$ 4,847,995	\$ 823,032

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Donnie Newsome, County Judge/Executive
Honorable Homer Sawyer, Former County Judge/Executive
Members of the Knott County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Knott County Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated August 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Knott County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Comments and Recommendations.

- The County Should Maintain Adequate Bid Files
- The County Should Maintain Invoices And Obtain Fiscal Court Review Prior To Paying Claims
- The County Should Adopt An Administrative Code
- The Jailer Should Comply With KRS 441.135

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Knott County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Donnie Newsome, County Judge/Executive
Honorable Homer Sawyer, Former County Judge/Executive
Members of the Knott County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 17, 1999

COMMENTS AND RECOMMENDATIONS

KNOTT COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

NONCOMPLIANCES

1) The County Should Maintain Adequate Bid Files

During the audit, we found the county does not maintain adequate bid files. KRS 424.260 requires counties to obtain bids involving expenditures of more than \$10,000. We were unable to verify bids were advertised by examining newspaper clippings. In addition, we were unable to examine quotes submitted for bids. We recommend the county maintain adequate documentation for bids.

Management Comments:

The county does not bid certain items annually. Bids were most likely obtained in a prior year.

2) The County Should Maintain Invoices And Obtain Fiscal Court Review Prior To Paying Claims

During our test of expenditures, we were unable to locate invoices for certain expenditures. In addition, we were unable to determine that the fiscal court reviewed and approved all claims paid by the county. KRS 68.275 requires the County Judge/Executive to present all claims to the fiscal court prior to payment. We recommend the county comply with KRS 68.275 by obtaining fiscal court review prior to payment of claims and maintain invoices for all claims paid.

Management Comments:

KRS 68.275 does require a review by the fiscal court. As a general rule, we did receive fiscal court approval. Some bills had a blanket approval.

3) The County Should Maintain Adequate Payroll Records

During our test of payroll, we found the county did not prepare earnings records or maintain adequate employee personnel files. We were unable to determine the accuracy of W-2 wage statements due to the absence of employee earnings records. In addition, we were unable to examine certain personnel files because they could not be found. We recommend the county maintain adequate payroll records.

Management Comments:

Payroll records and personnel files were maintained. It's possible items could have been misplaced during the transition of the old administration and the new administration.

KNOTT COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 1998
 (Continued)

4) The Fiscal Court Should Direct The County Clerk To Maintain An Adequate Fiscal Court Order Book And Bond Book

During the audit of the Knott County Fiscal Court, we found the county clerk does not maintain an adequate fiscal court order book or bond book. While examining the order book and the bond book, we were unable to determine where specific items needed for the audit were located. The fiscal court order book should be indexed by topics and/or items discussed in the fiscal court meetings. The bond book should be indexed by name. We were unable to determine if the county clerk had filed bonds for county officials because we would have had to examine about 2,000 documents in order to confirm if the bonds were filed. In addition, we were unable to determine when or if the county had adopted an ethics code because the fiscal court order book is not properly indexed. We recommend the fiscal court direct the county clerk to maintain adequate records for inspection by the Auditor Of Public Accounts.

Management Comments:

No Comment.

5) The County Should Limit LGEA Fund Expenditures To Allowable Items Listed In The Guide For County Budget Preparation Issued By The Department For Local Government

During the audit, we tested Local Government Economic Assistance expenditures to verify if the county expended funds properly. We determined that \$1,304 expended for a sign congratulating Cordia School for winning the state cross-country championship is not an allowable expenditure of the LGEA Fund. We recommend the General Fund reimburse the LGEA Fund in the amount of \$1,304. In addition, we recommend the county expend LGEA Funds only for the allowable items listed in the Guide For County Budget Preparation Issued By The Department For Local Government.

Management Comments:

No Comment.

6) The County Should Adopt An Administrative Code

During the audit we could not determine if the County had adopted an administrative code. KRS 68.005 states the fiscal court shall adopt a county administrative code which includes procedures and designation of responsibilities for the following:

- (a) General administration of the office of county judge/executive, county administrative agencies, and public authorities;
- (b) Administration of county fiscal affairs, including budget formulation, receipt and disbursement of county funds and preparation of records required for the county audit, and the filing of claims against the county;
- (c) Personnel administration, including description and classification of nonelected positions, selection, assignment, supervision and discipline of employees, employee complaints and the county affirmative action program;

KNOTT COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1998
(Continued)

6) The County Should Adopt An Administrative Code (Continued)

- (d) County purchasing and award of contracts;
- (e) Delivery of county services.

The statute also states, "The fiscal court shall review the county administrative code annually during the month of June and may by a two-thirds (2/3) majority of the entire fiscal court amend the county administrative code at that time. The county judge/executive may at other times prepare and submit amendments to the code for the approval of a majority of the fiscal court." We recommend the county take appropriate action to prepare and adopt an administrative code.

Management Comments:

We have adopted an ethics code.

7) The Jailer Should Comply With KRS 441.135

During the audit we found the jailer does not prepare an annual report for the county treasurer. KRS 441.135 states that the Jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account. We recommend the Jailer comply with KRS 441.135 by preparing an annual report on the canteen account and submitting the report to the county treasurer.

Management Comments:

No Comment.

PRIOR YEAR FINDINGS

In our prior year audit, we reported that proper bidding procedures should be implemented. This item has not been corrected and is commented upon in our current year audit.

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CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE

KNOTT COUNTY FISCAL COURT


Fiscal Year Ended June 30, 1998

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
KNOTT COUNTY FISCAL COURT

The Knott County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Homer Sawyer
County Judge/Executive


Byron Jacobs
County Treasurer

